



2013 - U.S. Annual Report to the Kimberley Process

This annual report is submitted to the Working Group on Monitoring on behalf of the United States. The report was prepared by the United States Department of State, in conjunction with representatives from other U.S. government agencies.

Pursuant to the Administrative Decision (AD) on Procedures for Respecting Confidentiality within the Kimberley Process (KP) adopted in November 2010, the United States does not wish to identify any statement or element of this report as “KP ONLY.” Thus, the United States requests that this report be published on the public-facing portion of the KP website. It will also be made available on the U.S. Department of State website devoted to the KP and United States KP implementation: <http://www.state.gov/e/eb/tfs/tfc/diamonds/index.html>.

A. Institutional Framework

In 2003, the Clean Diamond Trade Act (Public Law 108-19) (CDTA) established a Kimberley Process Implementation Coordinating Committee to coordinate implementation of the CDTA. This U.S. government interagency committee includes officials from the State Department, the United States Department of the Treasury, the United States Department of Commerce, the United States Department of Homeland Security, and the Office of the United States Trade Representative. Provisions of the CDTA are carried out by several U.S. government agencies and the private U.S. Kimberley Process Authority (USKPA). U.S. entities involved in implementation of the CDTA and points of contact include:

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B. Legal Framework

The CDTA provides the legal framework pursuant to which the United States implements the Kimberley Process Certification Scheme (KPCS)

<http://www.gpo.gov/fdsys/pkg/BILLS-108hr1584enr/pdf/BILLS-108hr1584enr.pdf>. The CDTA is further implemented by Executive Order 13312

(July 29, 2003). Pursuant to this Executive Order, the Department of the Treasury issued the Rough Diamonds Control Regulations, on September 23, 2004 (31 CFR Part 592). The Regulations have subsequently been amended, most recently on May 21, 2008.

The complete text of the Regulations can be accessed at:

<http://www.gpo.gov/fdsys/pkg/CFR-2010-title31-vol3/pdf/CFR-2010-title31-vol3-part592.pdf>. The U.S. Census Bureau issued regulations on Automated Export

System (AES) reporting requirements for rough diamond shipments in October 2003 (15 CFR Part 30), but were amended most recently on March 14, 2013. The complete text of the Regulations can be accessed at

<http://www.census.gov/foreign-trade/regulations/index.htm>. Updated lists of KP Participants are published periodically in the Federal Register that can be accessed at: <https://www.federalregister.gov/articles/2013/02/21/2013-04007/list-of-participating-countries-and-entities-hereinafter-known-as-participants-under-the-clean>.



U.S. Customs and Border Protection (CBP) issued a Final Notice in 2013, that implemented regulations on the prohibitions and conditions that are applicable to the importation and exportation of rough diamonds. Additional information about this Notice is included in Part C of this document.

For more information on the legal framework for U.S. implementation of the KP, see <http://www.state.gov/e/eb/tfs/tfc/diamonds/index.htm>.

C. Export and Import Regimes/Compliance Improvement Efforts

In furtherance of the CDTA and KP, CBP participated in the 2013 World Customs Organization (WCO) Secretariat-proposed “Operation Cullinan,” an international joint-control operation. This event was proposed during the KP Enforcement Seminar held in Washington D.C. in November 2012. The operation was intended for rough diamonds subject to the KPCS (HTS Codes 7102.10, 7102.21 or 7102.31). The operation focused on illegal cross-border movements of rough diamonds involving air passengers, and postal and express courier shipments. CBP provided a summary of smuggling trends detected in past CDTA-related cases for use by the WCO and international participants in support of targets for this operation.

CBP field and Headquarters personnel receive numerous requests for information from prospective importers and the public on the requirements of the KPCS. Some of these communications include a request to review a KP Certificate for authenticity. CBP works with the State Department, and other U.S. agencies, when possible, to provide feedback to the prospective importer. CBP has been able to prevent importers from making purchases that involved fraudulent certificates and, in those cases, referred the matter to Immigration and Customs Enforcement (ICE) for possible investigation.

While CBP is the principal interdiction agency in the United States for the KPCS and the CDTA, primary investigative responsibilities and duties are the responsibility of ICE Homeland Security Investigations (HSI). HSI works closely with the State Department, CBP, and the Census Bureau and provides outreach to key private sector partners vulnerable to exploitation. Diamonds are readily susceptible for use in trade-based money laundering (TBML) and other cross-border crimes.

HSI’s National Targeting Center-Investigations (NTC-I)-Trade Transparency Unit (TTU) utilizes customized tools, databases, and investigative methodologies to identify trade anomalies involving diamonds. Recognizing this vulnerability in the trade system, HSI TTU developed a Baseline Assessment on the Illicit Diamond Trade that was published in July 2012. This assessment identified key vulnerabilities regarding the diamond trade, red flag indicators for financial



institutions, and provided information on major diamond import/export countries as they relate to polished and rough diamonds.

HSI TTU uses the FALCON-Data Analysis and Research for Trade Transparency System (DARTTS) as an investigative tool that allows for the analysis of trade data to determine if a commodity such as diamonds is being used in TBML or smuggling schemes. Through its international partnerships and with its customs authorities, HSI is the leading federal agency for investigating TBML and provides the law enforcement community and foreign counterparts the support, guidance, training, and tools needed to successfully combat TBML.

Since 2012, HSI has partnered with the United States Federal Bureau of Investigation (FBI) and the Gemological Institute of America (GIA) to provide training to law enforcement agents involved in investigating jewelry-related crimes. Participants have included members of the FBI, HSI, U.S. local police departments, and law enforcement agencies from South Africa, Canada, and Hong Kong.

For information purposes only: Treasury's Internal Revenue Service (IRS) Small Business/Self Employed Division, under the Financial Crimes Enforcement Network (FinCEN) delegated examination authority, continues to examine dealers in precious metals, precious stones, or jewels for violations of the Bank Secrecy Act under 31 CFR Part 1027. In conjunction with the IRS, FinCen takes a risk-based and research-driven approach to identifying targets for examination.

Outgoing Shipments

The U.S. system provides that the U.S. Census Bureau, the Exporting Authority for KP purposes, issues export reporting requirements for the export of rough diamonds. All shipments must be reported in the AES and the information is maintained by the Census Bureau. Internal Transaction Numbers (ITN) generated by the AES must be added to the U.S. KP Certificate and constitutes U.S. government validation per federal regulation 31 CFR 592.301. The USKPA publishes KP Certificates for rough diamond exports. The USKPA currently has licensing agreements with 17 entities. According to the Census Bureau, 1,226 KP Certificates were issued for exports in 2013. The USKPA performs an annual, on-site performance review of selected licensees. The USKPA's annual review of selected licensees is included as an annex to the U.S. Annual Review of the Practices and Procedures of the USKPA, which is sent by the State Department to the U.S. Congress in July of each year.

During 2013, the State Department convened periodic teleconferences with the USKPA and its licensees to provide an opportunity for U.S. government agencies to communicate concerns or guidance directly to exporters, as well as to respond to questions and requests for information posed by the exporting community. These



calls produced important compliance discussions and helped enable closer coordination with, and oversight of, the private sector.

CBP conducts examinations of targeted rough diamond export shipments. In 2013, CBP conducted 14 inspections of outbound shipments using a risk-based methodology.

Incoming Shipments

CBP is the Importing Authority responsible for implementing, enforcing, and monitoring provisions of the CDTA.

On July 8, 2013, CBP issued a Final Notice of Rulemaking (Volume 78, Number 130, Pages 40627-40630) amending the CBP regulations to set forth the prohibitions and conditions that are applicable to the importation and exportation of rough diamonds pursuant to the CDTA, as implemented by Executive Order 13312 dated July 29, 2003, and the Rough Diamonds Control Regulations ([RDRCR](#)) issued by the Office of Foreign Assets Control of the U.S. Department of the Treasury. This action resulted in the addition of a new CBP regulation, 19 CFR 12.152. Additionally, the notice clarified that any U.S. person exporting from, or importing to, the United States a shipment of rough diamonds must retain, for a period of at least five years, a copy of the KP Certificate accompanying such shipments and make the copy available for inspection when requested by CBP. As part of this clarification, 19 CFR 163.2 was amended and “Kimberley Process Certificate” was added to the Appendix to Part 163 (the Interim (a)(1)(A) List). These changes served to further inform the importing community of the prohibitions and conditions relevant to the importation and exportation of rough diamonds.

CBP Headquarters issues guidance to field personnel when any related risk is identified or regulations and participation in the KP process changes. In 2013, CBP issued three such notices to field personnel on changes and/or risks. In May, notice was provided to field personnel that the Central African Republic (CAR) was suspended from participation in the KP; in July, notice was provided that Croatia was added as a member of the European Union; in August, a notice highlighted CBP’s new regulations.

CBP participates with the Department of State and the Census Bureau on reconciling trade statistics for imported rough diamonds shipments. CBP developed an internal database to review trade data for anomalies prior to the information being shared. In 2013, CBP was able to identify and resolve errors with 10 shipments that were entered with erroneous information.

In 2013, CBP conducted review of documentation for all inbound rough diamond shipments and 112 physical inspections of inbound shipments. These



examinations reviewed 34 different importers of record. In 2013, CBP processed two seizures in violation of the KPCS.

D. System of Internal Controls and Industry Self-regulation

In order to strengthen implementation of the KPCS, the U.S. diamond industry has implemented a system of warranties for rough and polished diamonds and jewelry containing diamonds. Under this system, all buyers and sellers of rough and polished diamonds make the following statement on their invoices:

“The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.”

Several major U.S.-based jewelry retailers publish policies on conflict diamonds on their websites. U.S. jewelry trade associations, such as Jewelers of America, have developed codes of conduct that list member obligations regarding compliance with the KP. The State Department supports and promotes industry’s enhanced due diligence and related voluntary efforts.

Officials from the State Department, CBP, and the Census Bureau contacted and visited numerous diamond companies and industry groups throughout 2013, to discuss the KP, industry’s compliance efforts, and other related issues. To promote compliance and awareness, the State Department’s Assistant Secretary for Economic and Business Affairs hosted several meetings with U.S. diamond and jewelry industry members. In 2013, the Assistant Secretary also spoke at the May meeting of the World Diamond Council and at the Jewelers of America Summer show. The State Department also discussed government-business collaboration on KP implementation and heightened due diligence and responsible sourcing with several major companies and industry groups in other fora and in private meetings.

E. Statistics

On January 1, 2009, the United States assumed the Chair of the KP’s Working Group on Statistics. In this capacity, the United States provides direct leadership to the Working Group's efforts to improve the submission and analysis of statistical data. In 2013, the Census Bureau continued to maintain the website it constructed to host KP statistical data and worked to develop other functionalities necessary to the Working Group’s activities, including the adoption of a new Administrative Decision concerning KP data, the development of a new “statistical anomalies” process, and the methodology for the preparation, review, and analysis of KP statistical data. U.S. Geological Survey (USGS) experts also conducted reviews of KP Participants’ statistical submissions as part of their technical assistance work.



In addition to its role as Working Group Chair, the Census Bureau collects and provides U.S. rough diamond trade statistics posted on the KP website. In 2013, the Census Bureau issued a “Notice of Request for Faxed Submission of Kimberley Process Certificates” requiring copies of all KP Certificates to be faxed to a toll-free number (1-800-457-7328). The Census Bureau continued to reach out to U.S. importers and exporters failing to provide faxed copies of KP Certificates to remind them of this requirement as a means to verify import and export KP statistics provided to the Census Bureau and the USKPA (exports). The Census Bureau continues to update prior years’ statistics as information is received.

The Census Bureau continues to reconcile U.S. statistics with U.S. trading partners for 2011 – 2013. This process is on-going. Any necessary changes will be incorporated at a later date. As in previous years, during the reconciliation process that is based on CBP data and data provided by bilateral partners, the Census Bureau uncovered several data discrepancies and contacted U.S. importers to verify information and to obtain KP Certificates. When discrepancies are identified, firms are contacted and efforts made to educate them on the legal obligations applicable to imports and exports of rough diamonds.

In 2013, the majority of identified instances in which KP Certificates were not faxed to the Census Bureau involved low carat weight and/or low value shipments likely purchased through websites by one-time importers not generally accustomed to trading in rough diamonds. These one-time importers were generally not aware of their legal obligations; in such cases, the importers receive direct communication informing them of the applicable requirements, including by telephone call and/or letters.

The Census Bureau conducted bilateral reconciliation of 2012 trade statistics with Armenia, Australia, Belarus, Botswana, Brazil, Cameroon, Canada, People’s Republic of China, Democratic Republic of the Congo, European Union, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Malaysia, Mexico, Namibia, Norway, Russian Federation, Sierra Leone, Singapore, South Africa, Sri Lanka, Switzerland, Thailand, Tanzania, United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

The Census Bureau conducted bilateral reconciliation of 2012 trade statistics with Armenia, Australia, Botswana, Brazil, Canada, People’s Republic of China, Croatia, Democratic Republic of the Congo, European Union, Ghana, Guinea, Guyana, India, Israel, Japan, Republic of Korea, Lebanon, Malaysia, Mexico, Namibia, New Zealand, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Thailand, Ukraine, United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

The Census Bureau conducted bilateral reconciliation of 2011 trade statistics with Armenia, Australia, Botswana, Brazil, Canada, People’s Republic of China, Croatia, Democratic Republic of the Congo, European Union, Ghana, Guyana,



India, Israel, Japan, Republic of Korea, Liberia, Malaysia, Mauritius, Mexico, Namibia, New Zealand, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Thailand, Turkey, Ukraine, United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

Exports

The United States is not a rough diamond producer. Since 2010, the Department of State works closely with the Crater of Diamonds State Park in the State of Arkansas to ensure that visitors to the park who dig for rough diamonds are aware of the requirements of the CDTA and the KPCS. The State Department continues to work with the Crater of Diamonds to improve its efforts to implement the KPCS.

U.S. exports are re-exports of rough diamonds imported from other KP Participants. The United States submitted trade data for 2013, and KP export certificate counts by Participants for 2013. According to the Census Bureau, 1,226 KP Certificates were issued for export during 2013. One technical certificate was issued in 2013.

According to published Census Bureau statistics, rough diamond re-exports from the United States in 2013 totaled \$315.9 million – a 20.9 percent decrease from the revised 2012 level of \$399.3 million. U.S. re-exports are primarily to three KP Participants: Israel (\$121.7 million), the European Union (\$107 million), and South Africa (\$28.7 million), which were the destination of 81.5 percent of U.S. re-exports of rough diamonds in 2013.

Imports

The United States imported \$570 million in rough diamonds in 2013 – a decrease of 34.7 percent from revised 2012 level of \$873.5 million. According to the Census Bureau, the United States imported rough diamonds from 24 KP Participants and approved entities in 2013, including Armenia, Botswana, Brazil, Cameroon, Canada, People's Republic of China, Democratic Republic of the Congo, European Union, Guinea, Guyana, India, Israel, Japan, Republic of Korea, Liberia, Mexico, Namibia, Russian Federation, Sierra Leone, South Africa, Switzerland, Tanzania, United Arab Emirates, and Vietnam (see Table 1).

Table 1

| Trade partner to the U.S. | Sum of Carats | Sum of USD Value |
|---------------------------|---------------|------------------|
| European Union | 1,888,050.30 | \$258,993,360.43 |
| India | 1,209,934.41 | \$3,464,690.07 |
| Botswana | 924,606.44 | \$24,794,377.07 |
| Vietnam | 42,230.18 | \$431,022.26 |
| United Arab Emirates | 35,420.51 | \$3,899,514.15 |



| | | |
|------------------------------|--------------|------------------|
| South Africa | 35,415.93 | \$80,390,194.96 |
| Israel | 32,064.74 | \$145,305,477.90 |
| Brazil | 25,255.18 | \$4,622,311.42 |
| Japan | 20,789.00 | \$1,781,253.05 |
| People's Republic of China | 10,393.52 | \$5,213,281.30 |
| Namibia | 3,658.20 | \$4,989,408.71 |
| Russian Federation | 3,610.27 | \$27,789,569.10 |
| Democratic Republic of Congo | 2,735.25 | \$55,968.72 |
| Mexico | 2,528.09 | \$126,314.77 |
| Sierra Leone | 1,717.06 | \$1,291,759.16 |
| Canada | 1,389.26 | \$1,035,732.75 |
| Liberia | 1,068.64 | \$174,829.00 |
| Switzerland | 470.21 | \$5,327,761.80 |
| Guyana | 327.03 | \$93,705.09 |
| Korea, Republic of | 247.39 | \$25,996.17 |
| Guinea | 63.01 | \$204,628.25 |
| Armenia | 33.67 | \$18,252.17 |
| Cameroon | 31.72 | \$20,753.00 |
| Tanzania | 22.52 | \$4,952.22 |
| Grand Total | 4,242,062.53 | \$570,055,113.52 |

The top three Participant countries to trade with the United States in 2013 based on the value of carats imported to the U.S. were the European Union (\$258.9 million), Israel (\$145.3 million), and South Africa (\$80.4 million). These top three countries supplied 85 percent of total value of U.S. rough diamond imports in 2013 (see Table 2).

Table 2

| Top 3 KP Participants by Value (USD) | | |
|--------------------------------------|-------------------------|------------------|
| Participants | Value | % of total Value |
| European Union | \$258,993,360.43 | 45.43% |
| Israel | \$145,305,477.90 | 25.49% |
| South Africa | \$80,390,194.96 | 14.10% |
| Total Top 3 (cts) | \$484,689,033.29 | 85.02% |
| Total US Exports (all) | \$570,055,113.52 | |

Based on the quantity of carats, the top three Participant countries that traded with the United States in 2013, were also the European Union (1,888,050.30 cts), Israel (1,209,934.41 cts), and South Africa (924,606.44 cts). These three countries



supplied nearly 95 percent of total quantity of U.S. rough diamond imports to the U.S. in 2013 (see Table 3).

Table 3

| Top 3 KP Participants by Carats | | |
|--|---------------------|--------------------------|
| Participants | Carats | % of total Carats |
| European Union | 1,888,050.30 | 44.51% |
| India | 1,209,934.41 | 28.52% |
| Botswana | 924,606.44 | 21.80% |
| Total Top 3 (cts) | 4,022,591.15 | 94.83% |
| Total US Imports (all) | 4,242,062.53 | |

The United States sorts its data by the three harmonized system (HTS) codes: 7102.10, 7102.21, and 7102.31. For trade figures of U.S. imports and exports delineated by HTS code (see Table 4).

Table 4

| US Imports 2013 | | |
|------------------------|---------------------|--------------------|
| HTS Code | Carats (cts) | Value (USD) |
| 7102.10 | 49,181.60 | \$2,053,208.21 |
| 7102.21 | 2,717,995.92 | \$35,725,833.70 |
| 7102.31 | 1,474,885.01 | \$532,276,071.61 |

| US Exports 2013 | | |
|------------------------|---------------------|--------------------|
| HTS Code | Carats (cts) | Value (USD) |
| 7102.10 | 6,763.96 | \$1,307,198.51 |
| 7102.21 | 914,289.54 | \$23,270,276.35 |
| 7102.31 | 603,441.09 | \$291,410,059.11 |

Certificates issued for export by country name are captured below (see Table 5).

Table 5

| 2013 Certificate Count by Participant | |
|--|---------------------|
| Participant | 2013 Exports |
| Armenia | 6 |
| Australia | 15 |
| Belarus | 1 |



| | |
|-----------------------------|--------------|
| Botswana | 3 |
| Brazil | 11 |
| Canada | 111 |
| China, People's Republic of | 56 |
| European Union | 436 |
| India | 56 |
| Indonesia | 1 |
| Israel | 157 |
| Japan | 139 |
| Korea, Republic of | 79 |
| Malaysia | 1 |
| Mexico | 84 |
| Namibia | 10 |
| Norway | 1 |
| Russian Federation | 3 |
| Singapore | 2 |
| South Africa | 15 |
| Sri Lanka | 1 |
| Switzerland | 6 |
| Thailand | 10 |
| United Arab Emirates | 18 |
| Chinese Taipei | 4 |
| Total | 1,226 |

The United States provided reports on 2013 imports, including the value, carat weight, country of provenance, and country of origin to the KP Statistics website, in accordance with Annex III of the KPCS.

F. Implementation of Specific Recommendations

The United States hosted in a KP Review Visit in 2012. In 2013, the United States undertook implementation of recommendations from the Review Visit (see Annex to Section F). The United States continues to address these recommendations.

G. Infringements

During 2013, CBP processed two seizures that in violation of the CDTA. It also identified fraudulent certificates from Guinea and Tanzania. In April 2013, a shipment originating in Mali entered the United States from Guinea. After confirmation from the KP Focal Point for Guinea, the United States determined the KP Certificate was fraudulent. It was determined there were no diamonds



involved, but the certificate was part of fraudulent activity. Pursuant to the Administrative Decision on Cooperation and Enforcement, the United States reported on these counterfeit certificates to the WGM and the KP chair and shared information directly with officials in these countries.

In 2013, CBP was contacted by a Canadian resident who was the subject of a fraudulent scheme. CBP coordinated with the Canadian authorities who were able to determine that the individual was most likely defrauded by a third foreign country.

In 2009, the State Department coordinated a process with CBP and the Smithsonian Institution to transport all forfeited diamonds to the Smithsonian for storage and, consistent with applicable law, possible research determined to be in U.S. government interests.

In 2013, the United States continued to encourage use of a template for the sharing of information concerning seizures/forfeitures requested by other KP Participants. The template was circulated through the Working Group on Diamond Experts and is available on-line.

H. Technical Assistance: USAID

In 2013, the State Department, the U.S. Agency for International Development (USAID), and USGS cooperated to provide technical assistance related to the Central African Republic (CAR) and Cote d'Ivoire through the Property Rights and Artisanal Diamond Development (PRADD) program. In September 2013, a successor program, PRADD II was launched, focusing on Cote d'Ivoire and Guinea.

PRADD is a joint State Department/USAID initiative to assist countries in fulfilling their commitment to the KPCS. Launched in CAR in 2007, as a pilot initiative, in Guinea in 2008, in Liberia in 2010, and in Cote d'Ivoire in 2013, the project aims to increase the amount of alluvial diamonds entering the formal chain of custody while improving the benefits accrued to mining communities strengthening property rights.

Central African Republic

From the project's inception in 2008 in CAR, PRADD identified claims to 5,786 artisanal diamond mining sites. Of these, 3,896 sites were mapped with GPS coordinates and a further 2,849 sites were issued property rights certificates by CAR authorities. These certificates have been used by judicial and mining authorities to help resolve land and related mining disputes. The events in CAR in 2012, led the project to close activities in February 2013.

Cote d'Ivoire



Under PRADD, the United States assisted the KP Permanent Secretariat of Cote d'Ivoire to adopt best practices for management of the diamond sector, leading to Cote d'Ivoire's substantial improvement in KP compliance. As recognized during the September 2013 KP assessment, Cote d'Ivoire met KPCS minimum requirements, noted by the 2013 KP Plenary. This was a key step towards lifting the United Nations diamond embargo.

In September 2013, USAID launched PRADD II, a larger scale program in Cote d'Ivoire focusing on increasing the number of alluvial diamonds entering the formal chain of custody and improving the benefits accruing to diamond mining communities. PRADD II assists the Ivorian government in enacting customs and mining regulations and improving systems of diamond production, tracking, and internal controls. Thousands of miners have been registered. The expanded program consists of four major components: Clarification of Land and Diamond Property Rights; Strengthening Governance and Internal Controls; Economic Development in Artisanal and Small Scale Mining Communities; and Public Awareness Outreach.

Supplemental funding for PRADD II was received from the European Union under the Instrument for Stability managed by the Service for Foreign Policy Instruments. With this co-funding arrangement, PRADD II will support a land-use planning process in both of the diamond-producing regions of Séguéla and Tortiya, and embark on a program to support conflict management.

Guinea

Events in Guinea in 2009, led to the closure of the PRADD project in Guinea though work with the Ministry of Mining was ongoing in 2013. The U.S. government has reaffirmed its commitment to reopen the PRADD II project to support Guinea in its efforts to improve governance of its mining sector and. In 2013, PRADD worked with USGS and the World Bank to conduct field assessments and policy analyses in support of the Ministry of Mining's efforts to improve regulations, increase diamond production, and secure miners' property rights.

Regional Activities

Since 2008, USAID, through PRADD, has been providing technical support to the annual KP conferences. In 2013, USAID continued to advance the notion that the development of artisanal mining communities leads to greater KP compliance, traceability, and legal exports of alluvial diamonds. In 2013, the United States continued to focus on the implementation of the [Washington Declaration](#) of Integrating Development of Artisanal and Small Scale Mining with the Kimberley Process (Washington Declaration) in key diamond-producing countries and



supported regional initiatives to tackle issues relating to cross-border diamond smuggling.

USAID played a central role in developing the Washington Declaration Diagnostic Framework, an official KP assessment tool that measures progress in artisanal diamond mining governance. USAID worked closely with the European Union, international NGOs dedicated to development in the diamond sector, and the governments of Cote d'Ivoire, Guinea, Sierra Leone, and Liberia, to test and refine the tool. In addition, in 2013, PRADD supported the Mano River Union initiative to harmonize diamond-related policies at the regional level, increase information and data exchange, and improve customs and law enforcement procedures to ensure that diamonds are sold legally and for the benefit of local populations.

I. Technical Assistance: U.S. Geological Survey

In 2013, the United States, through USGS, conducted technical assistance tasks for the KP in four main areas.

Central African Republic

Following events in CAR in 2012, the USGS began developing and releasing to the KP a series of maps highlighting rebel movements in relationship to the country's known diamond deposits. To date, six maps have been produced updating activities and are available on the KP website in English and French. The most recent map is current as of March 21, 2013.

In 2013, USGS monitored mining activities in eastern CAR by acquiring and analyzing high-resolution satellite imagery. USGS presented the initial analysis of mining activities at the 2013 KP Intercessional. At Intersessional, the WGM requested USGS and the European Commission Joint Research Centre (JRC) to jointly monitor mining activities in CAR using satellite imagery. The USGS and JRC coordinated efforts to acquire and analyze satellite imagery of areas of interest in CAR, focusing on the eastern zone mining sites of Bria, Sam Ouandja, Ouadda, and Nzako. The results of these efforts were presented by the USGS and JRC at the 2013 KP Plenary. The USGS and JRC also collaborated on the production of a methodology report documenting the methods used for identifying active mine sites in CAR.

Cote d'Ivoire

In 2013, USGS continued satellite imagery monitoring of the diamond resources of Séguéla and Tortiya in northern Cote d'Ivoire. The assessment involved the acquisition of high resolution satellite imagery and radar data covering the years 2005-2013. Satellite imagery was used to catalog the location and size of all active diamond mining pits from 2006-2013, quantify trends in the level of mining activity, and estimate production capacity.



USGS has participated in two fieldwork missions to Cote d'Ivoire. The first took place in September 2012, and was a joint mission of the USGS, the KP's Working Group on Diamond Experts, the United Nations (UN) Group of Experts for Cote d'Ivoire, and JRC. The second mission took place in February 2013, and included members of USGS and the UN Group of Experts. The goal of the fieldwork missions was to collect on-the-ground data to verify and validate the analysis presented in the preliminary report.

In 2013, a reconnaissance assessment of the alluvial diamond resource and production capacity of Séguéla and Tortiya was completed and published. This analysis was based on a combination of detailed satellite image analysis of active mining pits, on-the-ground fieldwork, and archival geologic data. The Cote d'Ivoire assessment can be found online at: <http://pubs.usgs.gov/sir/2013/5185/>.

USGS also worked with JRC to develop and publish a common methodology for the identification and validation of active mine sites in satellite imagery. This includes the development of a detailed guide for the visual interpretation of pits from satellite imagery as well as a methodology for testing the accuracy of the pit identification methodology. This methodology report was published by JRC in 2013, and was presented at the 2013 KP Plenary by USGS and JRC.

Guinea

In 2013, USGS completed a draft and submitted for publication "A Methodological Toolkit for Conducting Field Assessments of Artisanal Alluvial Diamond Deposits." The goal of this document is to provide a detailed guide for conducting fieldwork and collecting the types of data necessary for completing a diamond resource assessment, with a focus on the collaborative multi-stakeholder approach undertaken in the assessment of Guinea's diamond deposits.

West African Diamond Database

Since 2007, USGS has worked to develop and compile a comprehensive diamond database of West Africa. At present, the database includes the countries of Mali, Ghana, Guinea, Cote d'Ivoire, Sierra Leone, Liberia, and Burkina Faso. In 2013, USGS worked on developing a Geographical Information Systems (GIS) database containing known primary and secondary diamond occurrences in West Africa that includes information on the geographic location, deposit type, and characteristics of the diamonds.

The database is frequently updated and research continues on the compilation of information on additional countries in the region. In particular, locations of known diamond occurrences in West Africa were added to the database for Cote d'Ivoire (578 occurrences), Guinea (671 occurrences), and Liberia (on-going). As archival



research continues in these three countries, the number of diamond occurrences in the database is expected to rise. In addition to information on diamond deposits, geologic and base map features have also been compiled as part of the West African Diamond Database at a scale of 1:1,000,000.

J. Miscellaneous

In 2013, the United States participated in the review mission/visits to Cote d'Ivoire, Singapore, South Africa, and Vietnam. The State Department led a U.S. interagency delegation to the South Africa-hosted KP Intersessional Meeting in June 2013 and to the November 2013 KP Plenary. In 2013, the United States hosted a workshop at the Intersessional meeting on the Washington Declaration KP diagnostic tool. The workshop was widely attended by over fifty participants representing approximately twenty countries.



Annex to Section F
Implementation of Recommendations of the KP Peer Review Visit 2012
(on-going)

This annex to the U.S. annual report reflects actions taken during this reporting period to implement recommendations from the 2012 KP Review Visit to the United States. The United States continues to study and undertake measures recommended by the KP Review Team which will be reported to the Working Group on Monitoring.

1. **Clarity on the Role of the U.S. Kimberley Process Authority:** The United States has worked with the board of directors of the USKPA to create a formal Memorandum of Understanding (MOU) to provide greater clarity on the nature and role of the USKPA (and licensed entities) and to strengthen USKPA operations and U.S. oversight.
2. **Training for U.S. Customs and Border Protection (CBP) Staff and U.S. Immigration and Customs Enforcement (ICE) Staff:** Staff from ICE attended four KP meetings (U.S., South Africa) to obtain a better understanding of KP operations. Staff from CBP attended the two U.S.-hosted KP meetings. A number of ICE Special Agents were trained in a special course for law enforcement, co-sponsored with the FBI, at the Gemological Institute of America (GIA) facility in Carlsbad, California during 2011 and 2012. Several members of ICE staff, as well as the chief import specialist for diamonds and jewelry at J.F. Kennedy Airport, are expected to attend the GIA course in 2014. Finally, CBP revised its in-house database to more fully explain the role of CBP in stopping suspicious diamond shipments. CBP also loaded every specimen sample of Participant's KP Certificates on their internal website as a reference for field agents.
3. **Weighing Balance:** The valuation of merchandise for customs purposes is regulated by 19 USC 1401a. The United States purchased equipment to weigh diamonds and better enhance testing and viewing capabilities for diamonds at the New York port of entry. CBP has made arrangements when necessary to have shipments weighed by third party evaluators in several parts of the country and also at CBP's research laboratory outside of Washington, D.C.
4. **Authentication of U.S. KP Certificates:** The U.S. government notified licensees and several KP Participant countries about the requirement that all KP Certificates must have an ITN number printed on the certificate. The new version of U.S. KP Certificate (expected in 2014) will clarify this point to avoid confusion.
5. **Inspections of Imports and Exports:** CBP increased its number of physical inspections in 2013. CBP and ICE also improved risk-based targeting efforts for imports of rough diamonds.



6. U.S. KP Certificate to include Country of Origin: The next version of the U.S. KP Certificate (expected in 2014) will include this field.
7. Coordination of Financial Institutions: The U.S. KP Implementation Coordinating Committee does not have a role in banking oversight.
8. Two-hour Window for Registration of Air Cargo with CBP: This U.S. federal regulation applies to all U.S. export commodities shipped by air. Discussions regarding the specifics of diamonds are ongoing between relevant U.S. agencies.
9. Import/Export Data and possible misclassifications: The United States is in the process of analyzing statistics from 2007-2012, to identify possible discrepancies, misclassifications, and relevant market pressures. Some classification irregularities for 2008-2010 were due to the fact that some KP Participants published statistics based on date of import or export, while the United States reported by KP Certificate Date of Issue. The adoption of the AD on the Use of KPC Based data (adopted at the 2010 Plenary) eliminates this source of discrepancy. Date of issue is now required when compiling quarterly trade statistics.
10. Reconciliation of data between the Import and Export Authorities (CBP and the Census Bureau): CBP and the Census Bureau have conducted quarterly reconciliation since 2011. Reconciliation has been increased to a monthly basis. This helped identify an issue with shipping agents regarding country of origin misclassification that the U.S is now addressing.
11. U.S. Annual Reports Content: The 2013 Annual Report contains contact information, total import/export activity, and relevant HTS classifications. Stockpile information collected from the private sector is being analyzed.
12. U.S. KP Implementation Coordinating Committee: The Committee increased coordination efforts and developed workplans to implement KP Review Visit recommendations under each agency's jurisdiction. In addition, the State Department, the Census Bureau, and CBP -- each members of the Coordinating Committee -- increased cooperation to a weekly, sometimes, daily basis to oversee the KP and CDTA implementation.
13. Voided/retained certificates, Licensee Oversight, and Vulnerabilities: With the creation of the USKPA database, voided certificates are now recorded immediately and an e-mail sent to the State Department when the status of a certificate is changed. The State Department, CBP, and Census Bureau can access the USKPA database and make regular use of the information provided by USKPA licensees. Timeliness of reporting via the website has been stressed to USKPA licensees. In 2013, both the Census Bureau and the State



Department sent messages directly to several firms noting deficiencies and reminded firms to retain all KPCs, including voided certificates.

14. Using findings/recommendations of the EU Assessment of Statistics Report: Relevant U.S. agencies met to discuss the EU Assessment of Statistics report. Each used the information to develop and act on particular risk indicators.
15. Business Verification: Under U.S. law, diamond businesses are not treated differently than other firms. The Department of Treasury, through the tax collection agency of the Internal Revenue Service and state-level authorities, oversees the registration of businesses.
16. Stockpile Reporting: The format for stockpile reporting can be found on the KP's website at <http://www.state.gov/e/eb/rls/othr/diamonds/137524>. The format was issued in 2011 and remains current.
17. Customs Data on Port of Entry: The United States is reviewing whether such information can be shared under U.S. privacy laws. CBP can report that 92% of all rough diamonds entered/exited via the New York airports in 2013. The remaining exports/imports mostly entered/exited through Los Angeles and Memphis, the major international hub for Federal Express.
18. Federal Express: The U.S. government has been in contact with Federal Express to discuss the company's policy on handling rough diamond shipments.